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ADMINISTRATIVE ORDER NO. 230

I, Frank H. Murkowski, Governor of the State of Alaska, under the authority of art. III, secs. 1 and 24, of the Alaska Constitution, establish the position of Alaska Energy Policy Advisor in the Department of Commerce, Community, and Economic Development, and direct certain executive branch agencies to work with the advisor to facilitate coordination of energy policy for the state, with the goal of increasing energy availability in the state and preparing for in-state use of gas from a gas transmission pipeline.

BACKGROUND, FINDINGS, AND PURPOSE

In May 2003, shortly after I took office, the Legislature created the Alaska Energy Policy Task Force to develop a long-term energy plan to efficiently enhance Alaska's economic future, review and analyze the state's current and long-term energy needs, and address elements of Alaska's long-term energy needs that can be solved through action on the part of industry or government, or through actions by both. The task force's April 15, 2004, report on non-Railbelt energy needs listed several excellent current and long-term energy recommendations, but these were mostly policy initiatives as opposed to immediate action items.

In April 2004, a report was prepared for the Alaska Energy Authority (AEA) as part of an assessment of opportunities to improve the efficient, reliable delivery of rural Alaska energy services. The Alaska Rural Energy Plan stated that significant energy savings in rural Alaska electrical and heating were possible by coordinating community planning, improving market incentives, expanding consumer education efforts, encouraging management best practices, extending metering and telemetry to enable more effective management of electric utilities, and leveraging cost-effective capital equipment investment for utilities and end users.

While both reports are excellent, neither addresses the unforeseen rural energy crisis that resulted from the recent skyrocketing oil prices. In October 2004, I exercised my authority as governor to pursue a new energy assistance program for small villages in need. In my January 2005 State of the State address, I reiterated my commitment to rural energy needs by proposing to

fully fund the Power Cost Equalization (PCE) program and commit \$6.5 million to offset high energy costs in small communities. In February 2005, I created the Rural Energy Action Council (REAC) and charged it with building on the 2003 and 2004 reports. The operative word in creating the REAC was "action."

The REAC delivered its report to me on April 15, 2005. It contained eleven recommendations for short-term rural energy success. I took action based on the REAC report to include full funding for the PCE program in my FY2006 and FY2007 budgets, I created the Bridge Loan program for bulk fuel purchases, I created the Small Municipal Energy Assistance Program, I included state funding for the low income heating energy assistance program (LIHEAP) in my FY2007 budget, I directed the AEA to work with the Legislature to raise the loan limit for loans from the bulk fuel revolving loan fund, and I supported the AEA's alternative energy and energy efficiency programs.

Recent high energy prices have dramatically impacted all Alaskans. The delivery of affordable energy to consumers throughout the state is anticipated to remain a significant policy concern. It is in the best interests of the people of Alaska that a high policy-level position be established to foster coordination of energy policy for the state, not only in rural areas but in its south central region and large population centers. There are still severe energy cost problems in rural Alaska. The south central region of Alaska has been growing and its energy needs are rapidly increasing with that population expansion. The cost to consumers of energy statewide is rising. Consumers of electricity pay different rates in south central depending on which utility serves them. The developed natural gas resources of the area are declining and the future consumption by current large-volume industrial users of natural gas is uncertain. Possible use of Alaska coal resources would benefit from further assessment and study. Evaluation of our energy needs and potential energy development is critical to identifying and developing new sources of energy deliverable to consumers at a reasonable cost.

When the Gas Pipeline Project is approved, it will provide for in-state use of gas, the specifics of which will require substantial planning and evaluation. Such planning and evaluation, including preparing for an open season on the mainline and any spur lines, will benefit from substantial executive branch involvement and assistance. State government must play a major role in developing the in-state use of gas from the gas pipeline and ensuring that the energy needs of Alaskans are addressed, especially the needs in our largest population centers. Currently, there are several state agencies that have statutorily assigned functions relating to energy needs, development, and conservation. Maximization of those state agencies' efforts can be increased through coordination of energy policy development.

ESTABLISHMENT OF POSITION AND DUTIES

To address our energy needs expeditiously I establish the position of Alaska Energy Policy Advisor in the Department of Commerce, Community, and Economic Development. The advisor shall:

1. foster agreement of executive branch policy on state energy needs, development, costs, and conservation, especially in the rural areas of the state and in the south central region and other large populated areas of Alaska;
2. continue efforts to implement the recommendations offered by the Rural Energy Action Council, namely:
 - advocate for the Power Cost Equalization program
 - explore expansion of rural energy operator technical assistance programs
 - assist in the creation of regional bulk fuel cooperatives
 - examine the Bulk Fuel Revolving Loan program for recommended changes
 - advocate for power plant operational efficiencies
 - evaluate alternative energy systems, such as coal, in-stream, wind, and gas projects
 - advocate for expansion of renewable energy programs and energy conservation measures
 - make recommendations for programs such as LIHEAP that provide energy assistance directly to the individual consumer
 - evaluate how to address energy costs for school districts
 - study the economic impact caused by the net population migration from rural Alaska to urban centers due to high fuel costs
 - work with the University of Alaska to establish regional energy centers
 - study the feasibility of linking rural Alaska to the Railbelt energy grid
 - establish a fuel price reporting system for “non-PCE” communities
 - assist as needed in the divestiture of state-owned rural energy infrastructure
 - recommend improvements to rural fuel transportation and delivery systems;
3. organize a statewide public workshop to learn from Alaskans about new ideas for expanding energy development to meet energy needs;
4. consistent with existing legal authorities, develop, by December 1, 2006, a strategy for energy development, with particular emphasis

on the rapidly emerging issues for consumers in south central Alaska, for consideration by the governor and the Legislature;

5. consistent with existing legal authorities, develop, by April 30, 2007, a strategy for planning and preparing for the use in Alaska of gas from a gas transmission pipeline that would transport gas from the Alaska North Slope on a route generally along the TAPS pipeline and the Alaska Canada Highway, for consideration by the governor and the Legislature;
6. report monthly to the governor, the Legislature, and the public regarding accomplishments made under this Order; the reports may be provided on the state's home page on the Internet.

I direct the advisor to work closely with the following state agencies involved in energy needs assessment, energy development, or energy conservation to foster coordination of energy policy, with the goal of increasing energy availability in the state:

- Regulatory Commission of Alaska
- Alaska Energy Authority
- Alaska Industrial Development and Export Authority
- Alaska Oil and Gas Conservation Commission
- Department of Natural Resources
- Department of Commerce, Community, and Economic Development
- Department of Revenue
- Alaska Natural Gas Development Authority

DIRECTIVES FOR CERTAIN STATE AGENCIES

Each state agency involved with energy needs assessment, energy development, or energy conservation shall be:

1. consistent with legal obligations, cooperate with the advisor to evaluate options and present new ideas for a strategy to expand energy development in Alaska, especially to serve rural Alaska and the south central region and other large population centers;
2. consistent with legal obligations, cooperate with the advisor to assist utilities and other entities interested in obtaining gas for in-state use, including planning and preparing for an open season for the gas transmission pipeline and any spur line from the mainline; and,

3. send at least one representative of the agency to the statewide energy development workshop described above, to discuss current practices and evaluate proposals.

GENERAL PROVISIONS

Nothing in this Order diminishes the responsibilities of state agencies as established by law, alters the functions of the Alaska Energy Authority as the state's energy office, or reassigns statutory duties to the Alaska Energy Policy Advisor.

This Order takes effect immediately.

Dated at Juneau, Alaska, this 19th day of October, 2006.

Frank H. Murkowski
Governor